

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO

COMMITTEE ON ARMED SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

THE SUBCOMMITTEE ON MILITARY PERSONNEL AND COMPENSATION

SUBJECT: MILITARY RETIREMENT

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UNITED STATES HOUSE OF REPRESENTATIVES

Mister Chairman, members of the Committee. I'm pleased to be here to give you my view on what I believe is a critical factor in retaining the experienced people we must have to keep the Air Force strong and ready -- the military retirement system. I want to give you my perception -- speaking as a Service Chief and as a field commander who's seen first-hand how important the retirement system is for the morale and security of our people and their families and for overall readiness and warfighting capability.

The Air Force can accomplish its mission because we have well-trained, experienced, highly motivated people to operate and maintain our weapon systems. Our ability to get the mission done and to maintain an effective deterrent force depends on recruiting and retaining high quality men and women in sufficient numbers to provide an experienced and combat ready force. Retaining our experienced people takes a combination of personal commitment from them and a strong commitment to them on our part. A fair, consistent entitlement package, not subject to constant erosion, is a key part of our commitment to our people. The military retirement system has been and must remain the cornerstone of this entitlement package.

While there is no private sector situation that compares with military service, private sector experience does demonstrate the linkage between security and job performance. Corporations providing high levels of job and future security -- companies whose commitment to their people is apparent -- enjoy the benefits of the most productive people. They know that to remain competitive they must keep a talented and effective work force. The best way to do this is to provide adequately for people with unquestioned commitments to their security and prosperity.

By its nature, the military can't guarantee many of the things available in the private sector such as stability, a pleasant work environment, and a personal voice in decisions affecting terms of employment. The Air Force operates worldwide in support of global commitments -- on frozen flightlines in sub-freezing weather, in 120°+ desert conditions, and on mountain tops at isolated radar sites. Our people fly high performance aircraft, work with toxic fuels and propellants, and handle high explosives. Our administrative and support people also have wartime jobs that will make them a part of the combat zone because we will fight from our bases.

Our people are uprooted, often with short notice, and frequently deployed far from home and family. They also face the unconditional liability of giving their lives for their country. They do these things willingly, with high morale, discipline, and combat effectiveness under adverse and demanding conditions. They accept abridgement of freedom of speech and organizational activity, and voluntarily surrender many of the personal freedoms they serve to protect -- freedoms most Americans take for granted.

Volunteering to accept these conditions of service requires a commitment on the part of the nation and on the part of the people who choose to serve their country in the Air Force. Air Force people could easily choose other career opportunities. They have the talent and drive to succeed in the private sector. But we work hard to keep them on board and to persuade them not to market their talents to the highest bidders who can and do offer up-front financial incentives that we can't match.

We counter by providing as much job satisfaction as we can and by working to ensure a secure, consistent set of rewards and entitlements. Our studies and surveys show that military members consider the military retirement system to be their single most important entitlement. The military retirement system is a

major contributor to our ability to keep experienced mid-level NCOs and officers at a time in their careers when potential earning power in the private sector is considerably higher than what we can pay them. We know the retirement system exerts a strong career retention incentive. While it is true that only 13% of those who enter the service stay to retirement age, 80% of the experienced people in our career force stay with us until they can retire. All of our survey data repeatedly confirm that retirement is the primary reason those people choose to make the Air Force a career. Our surveys also unmistakably tell us that tinkering with the system will drive many of these people to seek a better and more secure future just at the time when those people are most productive for us. It is absolutely clear to me that tampering with retirement is a recipe for heightened dissatisfaction and lower morale. It will degrade our readiness and warfighting capability and hence our ability to deter war.

On my visits to the field, the most frequently raised concern, not just by senior people, but by junior non-commissioned officers and airmen, is about the stability of the retirement system. Air Force members expect this entitlement will remain intact for them. It is the one thing that they can hang their hats on. Everything else seems to change. Benefits and entitlements are eroded, but retirement at the 20 and 30 year phase points remains an anchor in a sea of change. We have a moral obligation to honor the commitments made to our people when they voluntarily elected a military career. Failure to do so would be inequitable, immoral, and ruinous to Air Force readiness.

Many seem to forget that the retirement system has already been changed. Reductions enacted since 1980 will reduce the retired pay for future retirees by 15-20 percent. It is still too early to tell what the retention and readiness impacts of these changes will be, but they have raised considerably the anxiety of those serving. Further reductions in the value of retired pay will erode

the system as a viable retention incentive -- with the inevitable outcome being that we will be unable to keep the talented people we need. Experience levels will decline, high quality people will follow civilian alternatives, and the Air Force will be left with a less capable, less ready force to execute a more demanding mission.

Then there is the issue of savings to the taxpayer. It's not clear that any savings would be realized by changing the retirement system, considering the high costs for replacing skilled people. Costs are high and lead times are long. For example, we would need 6 recruits to "grow" a replacement for a master sergeant with 13 years of experience. If we lose an F-16 pilot with 8 years of experience and 1,700 flying hours, it will take us 1 1/2 years to replace him with a new lieutenant who has only 275 hours and no experience in overseas theaters of operation. It will be years before the new lieutenant can use that F-16 to take advantage of combat potential paid for when we bought that airplane. And it would cost \$1.6M to train him just to the relatively novice state.

The cost of retirement today is the result of past national decisions to fight in World War II, Korea, and Vietnam, and to maintain a large standing "peacetime" armed force. Half of the real (after inflation) growth in retirement costs is due to the rapid escalation in the number of retirees over the past two decades. This rapid growth will diminish significantly in the years ahead as the system matures and the numbers added to the rolls level off. Per capita costs have begun to decline. Since 1980, the real cost per retiree has fallen 2 percent. In its 1983 assessment of the military retirement system, the General Accounting Office determined that cost savings alone was not a valid basis for changing the retirement system.

Justifying a change based on today's favorable recruiting and retention climate would also be a mistake because today's conditions won't last. We've

already begun to drop off from the retention highs of 1983. The supply of quality youth is declining and the economy continues to improve. The Air Force can't afford another return to the dark days of the late 1970's when we lost hundreds of thousands of man-years of experience.

Over the years, the current retirement system has served the unique requirements of the military well. It is inappropriate to compare it with private sector programs -- programs whose purposes are radically different. The military retirement system is not an old age pension system -- its purpose is readiness. It gives our field commanders the right people to carry out their missions -- it ensures they aren't forced to do their jobs with underexperienced airmen or aging NCOs or officers. They need a blend of youth and experience, and the retirement system provides that. It is simply not feasible to keep large numbers of military people on active duty until the typical private-sector retirement age of 62 or 65. The lifestyle and hardships of military service, combined with the need for the motivation that comes only from promotion opportunity and advancement, preclude such a system.

It is only natural that our retirees who earn, on the average, less than \$1000 a month in retired pay must seek a second career to meet the expenses of feeding, housing, and educating their families. Enlisted retirees, after accounting for both their retirement pay and a second career, earn about the same as the median of comparably educated and aged civilians. This income is far from lavish for those who have served 20 or more years in an often dangerous environment, enduring the turbulence caused by numerous family separations, long hours without overtime pay, and seven or eight geographic transfers for which they were inadequately compensated.

The retirement system is doing exactly what it was designed to do -- it's helping provide our country the best defense ever. It will remain effective so long as it remains stable, provides our people and their families the entitlement they have earned, and fulfills the commitment made to them in return for the sacrifices they selflessly make for our country. Preserving the military retirement system is vital if we are to maintain military forces capable of meeting our defense responsibilities. Your Air Force is the best ever and the retirement system is a major contributor to keeping the people on board who make it the best.